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June 28, 2004

Public Information Room  
Office of the Comptroller of the Currency  
Mailstop 1-5  
250 E Street, SW  
Washington, DC 20219  
Attn: 1557-0081

Ms. Jennifer Johnson  
Secretary, Board of Governors  
Federal Reserve  
20<sup>th</sup> Street and C Streets, NW.  
Washington, DC 20551  
Attn: Consolidated Reports  
of Condition and Income,  
7100-0036

Steven F. Hanft  
Clearance Officer, Legal Division  
Room MB-3046  
FDIC  
550 17<sup>th</sup> Street, NW  
Washington, DC 20429  
Attn: Consolidated Reports of  
Condition and Income, 3064-0052

Information Collection Comments  
Chief Counsel's Office  
Office of Thrift Supervision  
1700 G Street, NW  
Washington, DC 20552  
Attn: 1500-0023

To Whom It May Concern:

The Independent Community Bankers of America (ICBA)<sup>1</sup> appreciates the opportunity to comment on the proposed changes to the Call Report Glossary entry for "Trade Date and Settlement Date Accounting."

**Background**

The proposed rule would clarify that financial institutions should follow trade data accounting for all securities, including when-issued securities. As a result, the reference in the Glossary to conditions under which settlement date accounting is acceptable would be eliminated. The banking regulators believe

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<sup>1</sup> ICBA represents the largest constituency of community banks in the nation and is dedicated exclusively to protecting the interests of the community banking industry. We aggregate the power of our members to provide a voice for community banking interests in Washington, resources to enhance community bank education and marketability, and profitability options to help community banks compete in an ever-changing marketplace.

the new rule will improve regulatory reporting by eliminating a potential unnecessary difference between the Call Report instructions and GAAP.

### **Discussion**

While the proposed change may appear minor, consistent with industry practice, and in accordance with GAAP, the change likely has much broader, possibly unintended consequences.

The majority of community banks apply settlement date accounting for securities when such application is not materially different from trade date accounting. This application is consistent with GAAP's application of the materiality concept. In cases where application of settlement date accounting is materially different (most notably in the cases where quarter-end gains or losses would be incurred under trade date accounting), adjustments are made.

While the proposed change may not specifically remove the materiality test and may still allow institutions to utilize settlement date accounting when it is not materially different than trade date accounting, banks may see it as no longer permissible under the revised call report instructions.

We do not believe that the change in verbiage is necessary. Community banks do not see a GAAP/regulatory accounting difference today. When the difference in trade date accounting versus settlement date accounting is material, accountants require adjustments. Banks do not utilize trade date accounting for GAAP financial statement purposes and settlement date accounting for Call Report purposes.

Today's system under which trade-date accounting is preferred but settlement date accounting is acceptable when not materially different is consistent (between GAAP and call report reporting), practical, accepted by the industry, and should not be changed. The removal of the "acceptable" language may cause accountants to give little, if any, leeway even when there is no material difference between trade and settlement date accounting. As a result, banks may face the burdens of changing accounting systems and practices for no positive benefit.

Thank you for the opportunity to comment. If you need additional information or have any questions, please contact me by phone at 202-659-8111 or by e-mail at [katie.bragan@icba.org](mailto:katie.bragan@icba.org).

Sincerely,



Katherine Bragan  
Associate Director of Accounting and  
Lending Policy